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April 1, 2019

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

**RE: Annual Review of Base Rates for Fuel Costs of South Carolina Electric  
& Gas Company  
Docket No. 2019-2-E**

Dear Ms. Boyd:

Per the electronic service agreement in the above-referenced docket, enclosed for filing on behalf of South Carolina Electric & Gas Company ("SCE&G") is a Petition to Rehear or Reconsider Order No. 2019-229 with Respect to Rate PR-2 and in the Alternative, Motion for Stay ("Petition").

By copy of this letter, we are serving the parties of record with a copy of SCE&G's Petition and attach a certificate of service to that effect.

If you have any questions, please advise.

Very truly yours,

Matthew W. Gissendanner

MWG/kms

**Enclosures**

cc: **Jenny R. Pittman, Esquire**  
**Dawn Hipp**  
**Jeffrey M. Nelson, Esquire**  
**Scott Elliott, Esquire**  
**Alexander G. Shissias, Esquire**  
**Richard L. Whitt, Esquire**  
**William C. Cleveland IV, Esquire**  
**Lauren J. Bowen, Esquire**  
**Gudrun Thompson, Esquire**  
(all via electronic mail only w/enclosures)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**

**DOCKET NO. 2019-2-E**

IN RE:

Annual Review of Base Rates for  
 Fuel Costs of South Carolina  
 Electric & Gas Company

**CERTIFICATE  
 OF SERVICE**

This is the certify that I have caused to be served this day one copy of South Carolina Electric & Gas Company's Petition to Rehear or Reconsider Order No. 2019-229 with Respect to Rate PR-2 and in the Alternative, Motion for Stay to the persons named below at the addresses set forth and in the manner described:

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Karen M. Scruggs

Cayce, South Carolina

This 1st day of April 2019

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2019-2-E**

**IN RE:**

Annual Review of Base Rates for Fuel  
 Costs for South Carolina Electric & Gas  
 Company

**PETITION TO REHEAR OR  
 RECONSIDER ORDER NO. 2019-229  
 WITH RESPECT TO RATE PR-2 AND  
 IN THE ALTERNATIVE, MOTION FOR  
 STAY**

Pursuant to S.C. Code Ann. § 58-27-2150 (2015) and S.C. Code Ann. Regs. 103-825.A(4) and -854 (2012), South Carolina Electric & Gas Company ("SCE&G" or the "Company") hereby petitions the Public Service Commission of South Carolina ("Commission") to rehear or reconsider its decision in Order No. 2019-229, dated March 27, 2019, with respect to the denial of SCE&G's request to withdraw its rate schedule entitled "Rate PR-2 Small Power Production, Cogeneration" ("Rate PR-2") effective as of the date of the first billing cycle of May 2019. In the alternative, SCE&G further moves that the Commission protect the Company's customers from the potential of having to bear the burden of excessive avoided costs by imposing a stay precluding the request, issuance, or execution of any future power purchase agreements ("PPAs") to solar qualifying cogeneration facilities ("QFs") under the current Rate PR-2, on and after the date of the first billing cycle of May 2019, until such time as the Commission approves updated avoided costs for the Company and issues a determination on SCE&G's proposed charge ("Variable Integration Charge") to recover its variable integration costs associated with such purchases. In support thereof, SCE&G would respectfully show as follows:

1. On March 13, 2019, the South Carolina Solar Business Alliance ("SCSBA") moved to bifurcate the above-captioned proceeding "so that issues related to the request of [SCE&G] to

update SCE&G's avoided cost rates and to impose a Variable Integration Charge ... on solar [QFs] may be considered in a subsequent hearing." Mot. to Bifurcate at 1.

2. In addition to opposing the Motion to Bifurcate, SCE&G alternatively requested "approval to withdraw its [Rate PR-2] effective as of the date of the first billing cycle of May 2019 on the basis that delaying updates to Rate PR-2 beyond this date would result in customers being harmed by having to bear the burden of paying excessive avoided costs." SCE&G Resp. to Mot. to Bifurcate at 1.

3. Specifically, SCE&G asserted that "maintaining the existing Rate PR-2 beyond this date and not updating it to reflect SCE&G's current avoided costs will harm the Company's customers by forcing them to pay for excessive avoided costs to new solar QF projects," which would be "contrary to the express language of PURPA regulations, *see* 18 C.F.R. §292.304(a)(2)." Resp. to Mot. to Bifurcate at 11. SCE&G also asserted this would be "unreasonable in that it would require customers to pay solar QFs more for the energy they supply than the costs SCE&G avoids, resulting in the unlawful subsidization of these projects by the Company's ratepayers." *Id.*

4. In its Reply, SCSBA asserted that "there appears to be little danger that" maintaining the current Rate PR-2 "would result in ratepayers being stuck with excess costs as a result of the [Rate PR-2] tariff remaining in effect," on the alleged basis that "[a]t this time, [SCSBA] is unaware of any QFs that have contracted under the current PR-2 rates, and SCE&G has likely not filed any PPAs under the current rates with the Commission." Reply to Resp. to Mot. to Bifurcate at 4.

5. In granting the Motion to Bifurcate and denying SCE&G's alternative motion to withdraw Rate PR-2, the Commission held:

It is argued that leaving the old PR-2 rate in effect may result in overpayment to new applicants wishing to utilize the rate, however, as stated by the movant,

and uncontradicted by any other party, “there appears to be little danger that this would result in ratepayers being stuck with excess costs as a result of the PR-2 tariff remaining in effect” for an additional period of time.

Order No. 2019-229 at 1.

6. SCE&G respectfully submits that the Commission has overlooked or misapprehended the Company’s position set forth in its Response. Specifically, the Company asserted that:

by “bifurcating” these issues and, thereby, delaying updates to SCE&G’s avoided costs and Rate PR-2 in this proceeding, the higher avoided costs and Rate PR-2 energy rates approved in Order No. 2018-322(A) will remain in effect beyond the first billing cycle in May of 2019. Thus, SCE&G would be required to continue entering into PPAs based on excessively high avoided costs until the conclusion of the bifurcated proceeding and the approval of a new Rate PR-2 by the Commission. Accordingly, new solar projects that sign a PPA after the first billing cycle in May of 2019 would be compensated for at least 10 years based on avoided costs that exceed SCE&G’s actual avoided costs. Not only would this be directly contrary to the express language of PURPA regulations, it also would have the effect of requiring SCE&G’s customers to subsidize new solar QF facilities that otherwise may be “financially non-viable” by paying them more for the energy they generate than is either appropriate or required by law.

7. SCE&G therefore specifically contradicted SCSBA’s claim that ratepayers would be not be harmed by making clear that SCSBA’s Motion to Bifurcate, if granted “would unreasonably, inappropriately, and unlawfully shift the burden of these costs from the solar QFs, as the “cost causers,” onto SCE&G’s customers.” Resp. to Mot. to Bifurcate at 8. *See also id.* at 7 (“Granting SCSBA’s request therefore would unreasonably allow privately-held entities ... to avoid their legal commitments and, instead, require the Company’s customers to bear the ‘financial damages’ ... of integrating solar QF power onto SCE&G’s system for an indefinite period in the future.”).

8. In addition, SCE&G notes that SCSBA’s statement, which was referenced by the Commission in Order No. 2019-229, “there appears to be little danger that” maintaining the current

Rate PR-2 “would result in ratepayers being stuck with excess costs as a result of the [Rate PR-2] tariff remaining in effect” is misleading and appears to be based upon a misrepresentation of the facts by SCSBA.<sup>1</sup>

9. Contrary to SCSBA’s suggestion otherwise and as reflected in Exhibit A attached hereto, SCE&G has received recent requests for PPAs under its current Rate PR-2. Specifically, on March 11, 2019, a mere eleven days prior to the filing of the SCSBA’s Reply with the misleading statement identified in the Paragraph 8 above, the Company received a request for draft PPAs for three solar projects from a member company of the SCSBA. *See* Exhibit A.<sup>2</sup> This request demonstrates that developers continue to express interest in developing solar QF facilities under the current QF rates. If Rate PR-2 is not updated to reflect SCE&G’s current avoided costs, SCE&G’s customers therefore will be at risk of having to pay excessive avoided costs to any solar QF that seeks a PPA on and after the date of the first billing cycle in May 2019 based on stale rates. Not only would such a result be unreasonable, it also is directly contrary to the express language of PURPA regulations. *see* 18 C.F.R. §292.304(a)(2).

10. Although SCE&G asserts that it is reasonable and appropriate to rehear or reconsider its decision with respect to the Company’s request to withdraw Rate PR-2, in the alternative, SCE&G therefore requests that the Commission issue an order protecting the Company’s customers from the potential of having to bear the burden of excessive avoided costs by imposing a stay precluding the request, issuance, or execution of any future PPAs to solar QFs

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<sup>1</sup> The Company also notes that, pursuant to the Commission’s regulations, parties are not afforded the opportunity, as of right, to file surreplies to replies to responses to motions. *See* S.C. Code Ann. Regs. 103-829.A (2012). Therefore, SCE&G did not have the opportunity to rebut these misrepresentations of SCSBA, which were raised for the first time in its Reply to SCE&G’s Response to the Motion to Bifurcate.

<sup>2</sup> Importantly, this request came after SCE&G had prefled the direct testimony of its witnesses in the above-captioned proceeding in which the Company made SCSBA and the other parties aware of its updated avoided costs and proposed Variable Integration Charge.

under the current Rate PR-2, on and after the date of the first billing cycle of May 2019, until such time as the Commission approves updated avoided costs for the Company and issues a determination on SCE&G's Variable Integration Charge. While the Company asserts the appropriate course of action is to grant the instant Petition and approve SCE&G's withdrawal of Rate PR-2, issuing the requested stay would protect the Company's retail customers from these excessive avoided costs if the Motion is granted. New solar QFs also would not be harmed by this alternative relief in that SCE&G thereafter would separately negotiate PPAs and avoided cost rates with new solar QFs on a case by case basis as permitted by PURPA.

### **CONCLUSION**

For the reasons stated above, SCE&G respectfully submits that the Commission should (1) rehear or reconsider its decision in Order No. 2019-229 regarding the Company's request to withdraw Rate PR-2, and (2) allow SCE&G to withdraw Rate PR-2 effective as of the date of the first billing cycle of May 2019. Alternatively, SCE&G requests that the Commission issue an order protecting the Company's customers from the potential of having to bear the burden of excessive avoided costs by imposing a stay precluding the request, issuance, or execution of any future PPAs to solar QFs under the current Rate PR-2, on and after the date of the first billing cycle of May 2019, until such time as the Commission approves updated avoided costs for the Company and issues a determination on SCE&G's Variable Integration Charge. SCE&G also requests that the Commission grant such other and further relief as is just and proper.

**[SIGNATURE PAGE FOLLOWS]**



Respectfully submitted,



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*Attorneys for*  
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Cayce, South Carolina  
April 1, 2019

[REDACTED]

**From:** [REDACTED]  
**Sent:** Monday, March 11, 2019 2:19 PM  
**To:** FOLSOM, JOHN E JR (SCE&G - 8M) <[EFOLSOM@scana.com](mailto:EFOLSOM@scana.com)>  
**Cc:** KASSIS, DANIEL F (SCE&G - 7) <[DKASSIS@scana.com](mailto:DKASSIS@scana.com)>  
**Subject:** PR-2 PPA request

\*\*\*This is an EXTERNAL email from [REDACTED] Please do not click on a link or open any attachments unless you are confident it is from a trusted source.

Hey Eddie,  
I hope you are doing well. I wanted to see if you all could provide a draft PPA for the following projects that have reached an advanced stage in study. Please let me know what additional information you need or what other questions you may have. Thanks!

[REDACTED]

Regards,

[REDACTED]

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